

REBUTTAL TESTIMONY  
OF  
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ENERGY DIVISION  
BUREAU OF ENERGY AND RECYCLING  
ILLINOIS DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY

ILLINOIS DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY  
PETITION FOR APPROVAL PURSUANT TO SECTION 12-103(F) OF THE PUBLIC  
UTILITIES ACT OF ITS ENERGY EFFICIENCY PORTFOLIO PLAN

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1   **INTRODUCTION**

2   **Q.     Please state your name and business address.**

3   A.     My name is Jonathan A. Feipel and my business address is 607 East Adams,  
4           Springfield IL 62701. I serve the Illinois Department of Commerce and  
5           Economic Opportunity (DCEO) as the Manager of the Energy Division for the  
6           Bureau of Energy and Recycling.

7

8   **Q.     Are you the same Jonathan A. Feipel who previously submitted direct**  
9           **testimony in this proceeding?**

10  A.     Yes.

11

12  **Q.     What is the purpose of your rebuttal testimony?**

13  A.     I respond to the direct testimony of Philip H. Mosenthal (AG Exhibit 1.0),  
14           Richard J. Zuraski (ICC Staff Exhibit 1.0), the National Resources Defense  
15           Council (National Resources Defense Council Exhibit 1.0) and the Comments of  
16           the City of Chicago (Corrected Comments of the City of Chicago, Dated:  
17           December 4, 2007) as they relate to DCEO's energy efficiency programs and  
18           plan.

19

20  **Q.     Please provide a summary of your testimony.**

21 A. The witnesses representing the Office of the Attorney General, Commission Staff  
22 the City of Chicago and the National Resources Defense Council address many of  
23 the same issues as they pertain to DCEO's portion of the Energy Efficiency  
24 Portfolio. Therefore, my testimony is organized into two broad categories of  
25 issues: 1) those related to the overall functionality of the efficiency plan and 2)  
26 issues specific to individual programs. The overall issues are:

- 27 • Savings goals,
- 28 • Application of the Total Resource Cost Test,
- 29 • Plan flexibility,
- 30 • Annualized savings,
- 31 • The Advisory Group,
- 32 • "Deemed" savings,
- 33 • "Banking" of savings.

34 The Programmatic issues center on the following programs and related issues:

- 35 • Department of Healthcare and Family Services,
- 36 • Training Program (support of building and appliance standards),
- 37 • New Construction Program,
- 38 • Retro-commissioning Program,
- 39 • Prescriptive Program,
- 40 • Consistency and coordination.

41

42 Q. **Has DCEO's overall recommendation to the Commission in this proceeding**  
43 **changed?**

44 A. No. With the clarifications presented herein, DCEO continues to respectfully  
45 request that the Commission approve DCEO's Energy Efficiency programs and  
46 implementation plan for its portion of the overall Energy Efficiency Portfolio as  
47 presented in its initial filing.

48

## 49 **EFFICIENCY PLAN**

### 50 **Savings Goals**

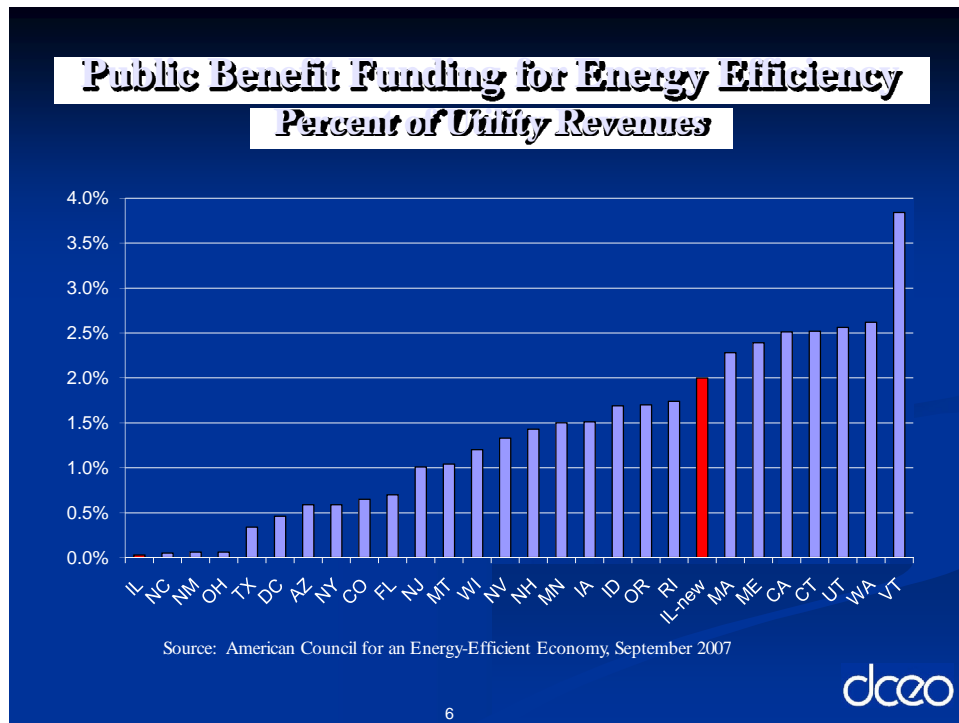
51 **Q. The Office of the Attorney General takes exception to the characterization**  
52 **that the savings goals for 2008-2010 are aggressive.<sup>1</sup> Do you agree with this**  
53 **depiction?**

54 A. DCEO's perspective is that the savings goals for 2008-2010 are indeed  
55 aggressive, but attainable. This can be shown by comparing the energy savings in  
56 Northeast and West Coast states to the amount of revenue they are spending on  
57 energy efficiency. According to the American Council for an Energy Efficient  
58 Economy (ACEEE), Vermont's goal of 1.75% annual reductions is being pursued  
59 using nearly 4% of electric revenues, while the states of California,  
60 Massachusetts, Maine, Connecticut, and Washington are achieving approximately  
61 1% annual reductions using 2.3-2.5% of revenues. The ratio of reductions to  
62 spending for these states is approximately 0.2% reduction per 0.5% of revenues,  
63 which matches the goals and revenue cap in the Illinois program. Thus, if Illinois

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<sup>1</sup> AG Exhibit 1.0, page 9.

64 is like these other states, then the Illinois Program Administrators should be able  
65 to attain the 2008-2010 goals.



66

67

68 **Q. The Office of the Attorney General suggests that Illinois, as a state new to**  
69 **aggressive energy efficiency programs, would have a high free-ridership rate,**  
70 **potentially even as high as 50% in one example.<sup>2</sup> Does DCEO believe that**  
71 **this will occur in Illinois?**

72 **A.** No. On the contrary, free-ridership will likely be lower in Illinois than in other  
73 states with a longer history of energy efficiency programs, because of the lack of  
74 prior programs and the lack of a mature market for energy efficiency.

<sup>2</sup> See <http://www.aceee.org/briefs/mktabl.htm> and  
<http://www.aceee.org/pubs/e075.htm> for more information on state energy  
efficiency spending.

Furthermore, well designed programs should be able to capture substantial spillover resulting from the positive experiences of participants and as educational efforts take hold. Spillover effects are likely to be high in Illinois as program participants go beyond what is expected of them by purchasing additional energy efficiency for which they no received incentives, and as non-participants purchase efficiency measures after being convinced by their peers. This spillover effect should offset free-ridership.

### **Application of the Total Resource Cost Test**

**Q. The City of Chicago recommends that “the TRC should be calculated at the portfolio level, not at the level of the individual measures, and that program elements can be added to the portfolio as long as the overall portfolio has a TRC greater than one.”<sup>3</sup> Does the DCEO agree with this recommendation?**

**A.** DCEO fully supports this position. Even though DCEO endeavored to make all of its programs pass the Total Resources Cost Test as an indication of their cost effectiveness, this in no way should imply that DCEO believes that individual measures or program have to pass the TRC. Furthermore, some of the programs and measures advocated by the Office of the Attorney General may not pass the TRC individually. However, this should not preclude them from consideration in the overall portfolio.

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<sup>3</sup> Corrected Comments of the City of Chicago, Dated: December 4, 2007, page 6.

96 **Plan Flexibility**

97 **Q. ICC Staff and the Office of the Attorney General indicate that they support**  
98 **allowing DCEO to retain flexibility to modify its portion of the portfolio and**  
99 **programs.<sup>4</sup> Do you have anything to add?**

100 A. As included in DCEO's direct testimony, DCEO (and the utilities) need to be able  
101 to modify all aspects of its programs during each planning year based on market  
102 conditions and program effectiveness. Mr. Mosenthal aptly characterizes the  
103 appropriate role for the Commission with respect to the Efficiency Portfolio:  
104 "Ultimately, the ICC's role should be in verifying and ensuring that the goals of  
105 the legislation are met, including the net savings achieved and the rate impact  
106 caps."<sup>5</sup>

107

108 **Q. Do you share ICC Staff's potential concern that if such flexibility is used to**  
109 **discontinue certain programs that the portfolio may no longer offer a diverse**  
110 **cross-section of programs?<sup>6</sup>**

111 A. While I appreciate this point of view, this type of situation is why DCEO  
112 proposed and supports Commission approval of the Advisory Group process.  
113 Noncompliance with regulatory statutes and orders is not unheard of, however,  
114 the Advisory Group process (discussed later) coupled with external pressures and  
115 the Commission's role of verifying statutory compliance will be sufficient to

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<sup>4</sup> ICC Staff Exhibits 1.0 and 2.0, pages 8-9 and AG Exhibit 1.0 page 8.

<sup>5</sup> AG Exhibit 1.0, p8.

<sup>6</sup> ICC Staff Exhibits 1.0 and 2.0, page 9.



116 ensure that the combined utility and DCEO portfolio will always include a diverse  
117 cross-section of programs. Furthermore, note that due to the statutory  
118 requirements, diversity will be achieved with respect to the carve-outs for the  
119 public and low-income markets coupled with the remaining, private sector  
120 programs.

## 122 **Annualized Savings**

123 **Q. Mr. Zuraski states that annualizing kWh savings “at least does not**  
124 **exacerbate the Act’s built-in bias for measures and programs that promise**  
125 **instant gratification.<sup>7</sup> Please Respond.**

126 **A.** I couldn’t agree more. As both the Office of the Attorney General and ICC Staff  
127 indicate throughout their respective testimonies, the structure of the statute tends  
128 to drive efficiency programs toward low-cost, short-term measures. If the  
129 annualization of kWh savings is not allowed, this will ensure that only these types  
130 of measures are implemented and will mean that in a number of years, the  
131 statutory reduction goals will be unattainable. For this reason, because efficiency  
132 improvements will be made throughout each of the planning years, and because  
133 the budget for the efficiency programs is collected on a monthly basis, annualized  
134 savings are the best choice from both policy and practical perspectives.

## 136 **Advisory Group**

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<sup>7</sup> ICC Staff Exhibits 1.0 and 2.0, page 16.

137 **Q. All parties commented on some form of the “Advisory Group” concept**  
138 **advanced by the petitioners. In light of their observations, have you**  
139 **anything to add?**

140 A. Witnesses for the Attorney General, the City of Chicago and the National  
141 Resources Defense Council all support the use of an advisory group process to  
142 facilitate information sharing and decision making throughout the years of the  
143 plan. A key to success of the efficiency programs will be the ability to rapidly  
144 respond to market conditions as they are happening – not after the fact during an  
145 annual or triennial review. To that end, the structure of the statewide Advisory  
146 Group presented by the National Resources Defense Council<sup>8</sup> provides an  
147 excellent set of guidelines for the Commission to follow and DCEO supports this  
148 approach. However, due to the large number of members proposed by NRDC  
149 (16), DCEO recommends an active committee structure within the advisory group  
150 to facilitate the working process. This will both keep the conversations  
151 manageable, and allow for different treatment of certain efficiency program  
152 considerations that are utility-territory specific. The key functions and features  
153 (resolution of disagreements, frequency of meetings, and subjects of discussion)  
154 of the Advisory Group presented by the Office of the Attorney General are also in  
155 line with DCEO’s position.<sup>9</sup>

156

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<sup>8</sup> National Resources Defense Council Exhibit 1.0, Attachment A.

<sup>9</sup> AG Exhibit 1.0, page 8.

157 **Q. Why is it important for the Commission to order the creation and**  
158 **functionality of the Advisory Group?**

159 A. Mr. Zuraski states “If the Company wishes to enlist interested parties in that  
160 implementation process, that should be left to the Company’s discretion, and need  
161 not be approved or ordered by the Commission.”<sup>10</sup> The intent behind  
162 establishment of an Advisory Group of interested parties is to provide an open  
163 forum for sharing information that allows changes to be made rapidly to the  
164 efficiency programs in order to respond to market conditions in a way that avoids  
165 lengthy, contested proceedings. DCEO requests that the Commission order the  
166 creation of the advisory group in order to provide legitimacy and a clear mandate  
167 to the Group in order to accomplish this goal.

168

169 **Deemed Savings**

170 **Q. ICC Staff raises some questions related to “deemed savings”.<sup>11</sup> Please**  
171 **further explain DCEO’s position.**

172 A. The term “deemed savings” refers to any savings value assigned to a particular  
173 measure rather than specifically determined through evaluation. Once approved,  
174 these values, in all likelihood, would not change, nor would the evaluators review  
175 them (at least initially) as they would be set until such time as the Commission  
176 might reevaluate its order. In its initial filing, DCEO did not request that any  
177 values be deemed in this sense of the term. Rather, DCEO requested approval of a

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<sup>10</sup> ICC Staff Exhibit 1.0 and 2.0, page 40 and 26 respectively.

<sup>11</sup> ICC Staff Exhibits 1.0 and 2.0, pages 28-38 and 34-44 respectively.

178 number of specific values (efficiency measure related kWh savings, net-to-gross  
179 ratio and realization rate values that form the kWh savings estimates associated  
180 with each DCEO program) *as the intermediate method* of evaluating  
181 programmatic success *until* the Advisory Group and independent evaluator are  
182 able to provide revisions. DCEO agrees that better data will be produced through  
183 the Advisory Group and independent evaluation regarding specific kWh savings  
184 figures, net to gross ratios and realization rates for many of the efficiency  
185 measures and programs included in the overall portfolio.  
186

187 **Q. What is the significance of the distinction between “deemed savings” and**  
188 **those values for which DCEO “seeks approval”?**

189 A. All parties must understand that given the resources available to the evaluator  
190 pursuant to the statute, this will be a slowly evolving process and the values for  
191 which DCEO seeks approval will likely be in use for some time. However, if the  
192 independent evaluator and the Advisory Group process result in changes to these  
193 values, then DCEO plans to update them accordingly. Nonetheless, DCEO has  
194 sufficient confidence in the subset of lighting measures presented by ICF,  
195 International that if the Commission were to order that any kWh savings values be  
196 treated as “deemed savings”, then these figures could reasonably be deemed.  
197

198 **Q. How should future modifications to kWh savings values, net to gross ratios**  
199 **and realization rates apply to the efficiency plans?**

200 A. DCEO fully supports the need for the best estimates available for kWh savings  
201 values, net to gross ratios and realization rates that will be produced by the  
202 independent evaluation. Any modifications to these values resulting from the  
203 evaluation process should be applied retrospectively for purposes of data analysis.  
204 However, DCEO strongly disagrees with the retroactive use of changes to these  
205 values and the resulting overall kWh savings as a basis for imposing the statutory  
206 penalties for missing the goals. DCEO has undertaken a good-faith effort to  
207 develop an efficiency plan and programs based on the best information currently  
208 available in order to achieve the energy usage reduction goals in conjunction with  
209 the appropriate utility. From a policy perspective, it can be considered neither  
210 just nor reasonable to use a retroactive modification of key planning data as the  
211 basis for the imposition of a penalty.

212

213 The evaluation and Advisory Group process is very important to determining  
214 market conditions in order to tailor efficiency offering accordingly. DCEO  
215 believes that any changes ought to be implemented prospectively, and would  
216 potentially modify its programs, budgets, etc., accordingly.

217

## 218 **Banking of Savings**

219 Q. ICC Staff and the Office of the Attorney General raise the issue of  
220 “Banking” of kWh savings in response to proposals made by ComEd. Does  
221 DCEO agree with this concept?

222 A. DCEO did not address this in its initial filing. First, it is important to note that as  
223 with most of the efficiency portfolio a consistent approach statewide is important.  
224 Therefore, if the Commission orders banking for one of the petitioners, this  
225 should be applied to the other two as well. DCEO agrees with the Staff  
226 characterization that “In the absence of banking, in any one plan year, there is  
227 little reason for the Company to pursue savings above the goals set forth in the  
228 Act (or at a rate any faster than required by the Act)”, and that “this disincentive  
229 to achieving greater energy savings (or achieving energy savings at a faster rate)  
230 may actually decrease the ultimate attainment of the Act’s percentage savings  
231 goals.”<sup>12</sup> Allowing the banking of kWh savings from one year to the next  
232 preserves the petitioners’ motivations to seek the maximum amount of efficiency  
233 savings possible in any single year without the perverse incentive of trying to hold  
234 projects off until the following year just to meet the statutory goals. Furthermore,  
235 as ICC Staff and the Office of the Attorney General point out generally<sup>13</sup>, the Act  
236 includes a significant bias toward short term, highly cost effective efficiency  
237 measures. With banking, over-saving in one particular year would allow  
238 programs to focus on longer term, more durable efficiency measures that would  
239 not otherwise be possible.

240

241 **Q. Is there potential for middle ground on this issue?**

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<sup>12</sup> ICC Staff Exhibits 1.0 and 2.0, pages 46 and 48 respectively.

<sup>13</sup> See generally AG Exhibit 1.0 and ICC Staff Exhibits 1.0 and 2.0.

242 A. If the Commission is disinclined to allow banking of any and all extra savings,  
243 then DCEO recommends that the amount of ‘banked’ or ‘carry-over’ savings that  
244 could be used in any given year be limited to some fraction of the savings  
245 required in that year (e.g., perhaps 30%). This would alleviate concerns that if the  
246 goal is easily exceeded and so much is carried over that the next year programs  
247 would be cut back or eliminated in favor of just living- off the banked savings.  
248 That would be very disruptive to customers and trade allies who are counting on  
249 strong on-going programs.

250

## 251 **Ownership of Environmental Attributes**

252 **Q. Does DCEO agree with the City of Chicago’s recommendation that**  
253 **ownership of environmental attributes associated with the energy efficiency**  
254 **measures be retained by incentive recipients?<sup>14</sup>**

255 A. No. The kWh reductions are required by the state EEPS statute and therefore the  
256 property of the State of Illinois under the administration of the Illinois  
257 Environmental Protection Agency (IEPA). The IEPA owns the environmental  
258 attributes of projects that result in reductions of regulated pollutants, unless the  
259 IEPA specifically grants the environmental attributes to other parties. Thus,  
260 neither the program administrators, nor the Illinois Commerce Commission has  
261 the authority to assign ownership of environmental attributes from the energy  
262 efficiency portfolio. Only the IEPA can do so for such regulated pollutants as

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<sup>14</sup> Corrected Comments of the City of Chicago, Dated: December 4, 2007, page 6.

nitrogen oxides, sulfur dioxide, carbon monoxide, etc. IEPA does not currently regulate carbon dioxide. However, it could do so in the future, either based on recommendations of the Governor's Climate Change Advisory Group or as a result of national climate change legislation. Current proposals to regulate carbon dioxide do not give credit for actions that are already mandated. Therefore, energy efficiency measures used to meet the Illinois electricity load reduction goals would not pass the regulatory test of "additionality", i.e., any attempt by an entity to claim and resell the credits would constitute "double dipping" or attempting to claim value for the same attribute twice.

## **EFFICIENCY PROGRAMS**

### **Department of Healthcare and Family Services**

**Q. Should ComEd and Ameren be required to demonstrate further coordination with DHFS in addition to DCEO's efforts?**

**A.** No. ICC Staff notes that although DCEO met with DHFS personnel, there is no indication that the utilities coordinated with DHFS. Once the decision was made that DCEO would manage the low-income programs, it made sense for DCEO to meet with DHFS along with other low-income serving organizations such as the Illinois Housing Development Authority, the Center for Neighborhood Technology, etc. instead of the utilities. That being said, it is my understanding that the utilities have also met with DHFS in the planning of their efficiency programs.



285

286 **Training Program (Building and Appliance Standards)**

287 **Q. ICC Staff notes that while DCEO includes “efforts to implement new**  
288 **building standards,” it does not include “similar efforts to implement new**  
289 **appliance standards.”<sup>15</sup> Will DCEO address new appliance standards when**  
290 **it is relevant?**

291 **A.** Yes. DCEO’s Training Program will train industry personnel related to any new  
292 energy efficiency codes, for both buildings and appliances, as needed and as funds  
293 are available. The Capital Development Board regularly updates the Illinois  
294 Energy Conservation Code for Commercial Buildings. As a result, there is a need  
295 to provide training for commercial building professionals and the local officials  
296 that enforce the codes in order to educate them on the latest energy code updates.

297

298 Because the statute refers to the support of “standards that have been placed into  
299 effect”<sup>16</sup>, and because no such standards have yet been placed into effect in  
300 Illinois, DCEO did not explicitly include appliance training programs in its initial  
301 plan. However, if new appliance standards were adopted in Illinois (at the state or  
302 local level) that required training, DCEO would include training related activities  
303 as part of its Training Program. Moreover, in all cases where DCEO’s efficiency  
304 programs include appliances, DCEO supports only the inclusion of high  
305 performance (Energy Star, etc.) models.

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<sup>15</sup> ICC Staff Exhibits 1.0 and 2.0, page 6.

<sup>16</sup> 220 ILCS 5/12-103(f)(2)

306

307 **New Construction Program**

308 **Q. The Office of the Attorney General suggests that New Construction**  
309 **programs be supported as soon as possible.<sup>17</sup> Do you agree?**

310 A. Yes. DCEO notes that for the low-income sector, DCEO has focused the majority  
311 of funding on the New Construction/Gut Rehab program for precisely the reasons  
312 outlined by the Office of the Attorney General. Further, DCEO generally agrees  
313 that the new construction market in the public sector should be captured as soon  
314 as possible. DCEO plans to introduce this program immediately, but due to the  
315 long lead times involved in the anticipated new construction projects, no projects  
316 are expected to be funded within the first year. This is why DCEO included this  
317 program in its portion of the portfolio but did not allocate any funding for it in  
318 year 1.

319

320 **Q. Does DCEO concur with the Office of the Attorney General's argument that**  
321 **LEED projects will already be energy efficient and therefore have higher**  
322 **free-ridership problems?<sup>18</sup>**

323 A. No. The LEED certification system developed by the U.S. Green Building  
324 Council (USGBC) includes a checklist of items that earn project points toward  
325 different levels of certification. The LEED checklist includes a variety of  
326 categories, most of which are not related to energy efficiency. It is important to

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<sup>17</sup> AG Exhibit 1.0, page 18.

<sup>18</sup> AG Exhibit 1.0 pages 18.

note that LEED projects often cherry-pick the non-energy categories that have lower-cost LEED points. It is true that the USGBC, recognizing that energy performance was undervalued in guidelines, has recently instituted mandatory energy points (for instance in the new LEED New Construction guidelines), however, those required points are still far below what is possible and cost effective. As a result, while this will be an appropriate area of scrutiny during the evaluation process, most current LEED projects have not maximized energy efficiency and could be pushed toward greater efficiency through incentives. Furthermore, precisely because the LEED certification movement is rapidly growing but often does not maximize efficiency improvements, the USGBC/LEED program is an exceptional no-cost or low-cost marketing platform for both DCEO and utility programs.

### **Retro-commissioning Program**

**Q. Do you agree with the Office of the Attorney General that program administrators should consider delaying the start or modifying the approach of the retro-commissioning program as durable savings are difficult to effectively achieve?<sup>19</sup>**

**A.** No. Prior experience demonstrates the significant opportunities for energy savings and improved building performance as a result of retro-commissioning. According to the American Council for an Energy-Efficiency Economy (ACEEE), retro-commissioning consistently demonstrates energy savings of 5%

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<sup>19</sup> AG Exhibit 1.0, p12, line 1 and p18, line 15 and p18 line 21 continuing to p19, line 2.

348 to 20% while providing increased occupant comfort and decreased number of  
349 building operations problems. (Thorne, 3) While it is difficult to predict the  
350 lifetime of the savings and estimates range from less than 1 year to as long as 15  
351 years an average measure life of 7 years is typically used for analysis. (Thorne,  
352 10) Furthermore, a study by the Lawrence Berkeley National Laboratory  
353 concluded that, "While not a panacea, we find that building commissioning is one  
354 of the most cost-effective and far-reaching means of improving the energy  
355 efficiency of buildings, with applications across a large segment of the U.S.  
356 building stock." (Mills, 58) In recent years, several utilities and other  
357 organizations including NSTAR, Commonwealth Edison, Portland General  
358 Electric, Sacramento Municipal Utility District, Xcel Energy, the Northwest  
359 Energy Efficiency Alliance, and the New York State Energy Research &  
360 Development Authority have developed and implemented programs to promote  
361 and encourage retro-commissioning. (Thorne, 5) Finally, the US Green Building  
362 Council has recognized the importance of retro-commissioning by including it in  
363 their LEED for existing buildings rating system. The retro-commissioning  
364 program is an important aspect of the program administrator's energy efficiency  
365 plans and should be included in the final program portfolio.<sup>20</sup>  
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<sup>20</sup> See Thorne, Jennifer and Nadel, Steven, "Retrocommissioning: Program Strategies to Capture Energy Savings in Existing Buildings", June 2003, available at: <http://www.aceee.org/pubs/a035full.pdf> and Mills, Evan et al., "The Cost-Effectiveness of Commercial-Buildings Commissioning", December 2004, available at: <http://eetd.lbl.gov/emills/PUBS/PDF/Cx-Costs-Benefits.pdf>

367 **Prescriptive Program**

368 **Q. Does DCEO share the Office of the Attorney General’s belief that DCEO’s**  
369 **Public Sector Prescriptive Program should not promote “baseline**  
370 **technologies?”<sup>21</sup>**

371 **A.** The Office of the Attorney General notes two examples of “suboptimal  
372 technologies” that it states should not be promoted in this program: standard T-8s  
373 and new LED exit signs. DCEO seeks to balance the dual priorities of  
374 maintaining consistency between the DCEO and utility offerings and  
375 disallowance of these types of technologies for the reasons noted by the Office of  
376 the Attorney General. It is DCEO’s preference not to promote baseline  
377 technologies; nevertheless, for programs offered by both DCEO and the utilities,  
378 incentive levels should be the same in order to prevent vendor confusion and  
379 discrimination claims. Further, what is “baseline” in a state that has had many  
380 years of excellent programs will be higher than in a state which has had little or  
381 no energy efficiency programs. The decision on what is the most appropriate  
382 baseline for Illinois should be based on what is in fact current industry practice in  
383 the Illinois market. Thus, this decision, balancing the above dual priorities, will  
384 be made in the incentive planning stage in coordination with the utilities.

385

386 **Q. The Office of the Attorney General stresses the need to focus on preventing**  
387 **“lost opportunities” instead of on retrofits.<sup>22</sup> Is this focus warranted?**

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<sup>21</sup> AG Exhibit 1.0 pages 24-27.

388 A. DCEO agrees that preventing “lost opportunities” in the context of energy  
389 efficiency is cost-effective and of critical importance. If a customer replaces a  
390 failing piece of equipment with an inefficient model, it is likely that it will not be  
391 changed out for some significant period of time. However, substantial kWh  
392 savings are also gained from early retirement of inefficient equipment. DCEO  
393 views both the necessary and discretionary replacement of inefficient  
394 technologies as important to reducing Illinois’ energy usage. Furthermore, in  
395 order to offer programs to the entirety of Illinois citizens, both cases must be  
396 addressed. In either case, DCEO’s incentives will generally cover roughly the  
397 incremental cost of individual energy efficiency measures. That being said, in a  
398 state that has had little or no history of major energy efficiency programs, we may  
399 need to pay somewhat higher incentives to “jump-start” the market and entice  
400 trade allies into enthusiastic participation. In this era of very high avoided costs,  
401 somewhat higher incentives can be justified and still be very cost-effective.  
402 Somewhat higher rebates can expand overall net savings in a cost-effective  
403 manner.  
404  
405 This is an important issue. Consequently, when developing the incentives DCEO  
406 plans to offer and in the management phase, DCEO will be cognizant of this  
407 potential concern.  
408

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<sup>22</sup> AG Exhibit 1.0 pages 14-15.

409 **Consistency and Coordination**

410 **Q. Does DCEO agree with the Office of the Attorney General’s call for**  
411 **“consistency and coordination” between the petitioners?<sup>23</sup>**

412 **A.** Yes. DCEO has had numerous discussions with ComEd and Ameren in order to  
413 coordinate a statewide approach to the programs where this is possible. Current  
414 plans are to use the same set of Prescriptive incentives, the same Administrator  
415 for the Retro-commissioning Program, and to allow the SEDAC and LEAP  
416 Programs to assist applicants statewide and then to funnel them to the appropriate  
417 programs. Mr. Mosenthal’s market structure example<sup>24</sup> is duly noted and will be  
418 taken into consideration in the project management phase.

419

420 **Codes Enhancement and Statewide Website Programs**

421 **Q. What is DCEO’s opinion of the National Resources Defense Council’s**  
422 **recommendation that DCEO “consider adding two new programs; A Codes**  
423 **and Standards Enhancement Program and 2. A Statewide Energy Efficiency**  
424 **Website?<sup>25</sup>**

425 **A.** Both of these suggestions have merit and DCEO will consider them. Note  
426 however that these are market enabling types of programs and it will be difficult  
427 to document savings for both of these programs. In order to meaningfully  
428 contribute to the statutory goals, it may not be possible to fund these initiatives.

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<sup>23</sup> AG Exhibit 1.0 pages 12-14.

<sup>24</sup> AG Exhibit 1.0 pages 12.

<sup>25</sup> National Resources Defense Council Exhibit 1.0, page 12.

429

430 DCEO has traditionally focused on training related to new codes after they have  
431 been adopted due to resource limitations. DCEO has also supported the adoption  
432 of new efficiency codes. I testified on behalf of DCEO before the House  
433 Environment and Energy Committee in support of HB1842 that would have  
434 created a residential building code. Resources permitting, a program to monitor  
435 market conditions and advocate for new energy efficiency codes would certainly  
436 support the transformation of Illinois' energy efficiency market.

437

438 A statewide energy efficiency website would be a useful tool for Illinois energy  
439 consumers to have one place to look for relevant information. DCEO owns the  
440 web address [www.illinoisenergy.org](http://www.illinoisenergy.org), for example, and will use the site in some  
441 manner to market EEPS programs (both utility and dceo administered programs).  
442 Due to a lack of measureable kWh savings, this program would likely need to be  
443 funded minimally or through other sources. However, resources permitting, this  
444 would be a valuable asset for the efficiency portfolio.

445

446 **CONCLUSION**

447 **Q. Please summarize your testimony.**

448 A. This testimony addresses issues related to the functionality of DCEO's efficiency  
449 plan and programs raised by the Office of the Attorney General, the Commission  
450 Staff, the City of Chicago and the National Resources Defense Council.



451

452 **Q. What specific action does DCEO request that the Commission take in this**  
453 **proceeding?**

454 A. The Illinois Department of Commerce and Economic Opportunity continues to  
455 respectfully request that the Commission approve DCEO's portion of the  
456 Portfolio and the energy efficiency programs as presented in its initial filing with  
457 the clarifications included in this testimony and noted below. DCEO further  
458 requests that the Commission:

- 459 • Approve the DCEO programs and plans as part of the larger portfolio goal  
460 shared by DCEO and the appropriate utility for each service territory. In  
461 this way, the total kWh reduction targets presented in the statute<sup>26</sup>  
462 represent a common goal to be achieved by the combined savings from the  
463 DCEO and relevant utility programs.
- 464 • Approve DCEO's plans for implementing its programs as proposed.
- 465 • Order the application of the Total Resources Cost Test to the entire  
466 portfolio and not to individual programs or measures.
- 467 • Grant DCEO the flexibility to shift funding between programs and to  
468 modify programs during this 3 year plan as needed to meet the specific  
469 demands of the market as they arise.
- 470 • Order the specific subset of lighting measure kWh savings to be  
471 considered as "deemed savings" values.

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<sup>26</sup> 220 ILCS 5/12-103(c)

- 472                   •    Approve the other efficiency measure kWh savings, net-to-gross ratio and  
473                            realization rate values that form the kWh savings estimates associated with  
474                            each DCEO program as the intermediate method of evaluating  
475                            programmatic success until the Advisory Group and independent evaluator  
476                            are able to provide revisions.
- 477                   •    Order the use of modifications of these values to be used retroactively in  
478                            all instances except the imposition of the statutory penalties.
- 479                   •    Approve the annualization of kWh savings from individual projects.
- 480                   •    Approve the statewide Advisory Group as presented in DCEO's initial  
481                            filing with the additional clarifications provided by the National Resources  
482                            Defense Council and the Office of the Attorney General (with minor  
483                            modifications as noted in this testimony).

484

485    **Q.    Does this conclude your testimony?**

486    **A.    Yes.**